

**SIOUX COUNTY, IOWA
Independent Auditors' Report
Financial Statements
And
Supplemental Information
Schedule of Findings and Questioned Costs
June 30, 2005**

SIOUX COUNTY, IOWA

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SIOUX COUNTY, IOWA

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SIOUX COUNTY, IOWA

County Officials

| Name | Title | Term Expires |
|--------------------|----------------------|---------------------|
| Mark Sybesma | Board of Supervisors | January, 2009 |
| Vern Beernink | Board of Supervisors | January, 2009 |
| Loren Bouma | Board of Supervisors | January, 2007 |
| Stanley L. De Haan | Board of Supervisors | January, 2007 |
| John Degen | Board of Supervisors | January, 2009 |
| Dennis Lange | County Auditor | January, 2009 |
| Robert Hagey | County Treasurer | January, 2007 |
| Anita Van Bruggen | County Recorder | January, 2007 |
| Dan Altena | County Sheriff | January, 2009 |
| Melissa O'Rourke | County Attorney | January, 2007 |
| Ross Simmelink | County Assessor | January, 2009 |

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Sioux County, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of SIOUX COUNTY, IOWA (the County) as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Sioux County, Iowa as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2005 on our consideration of Sioux County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. The accompanying combining non-major fund financial statements, and the Schedule of Expenditures of Federal Awards which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams + Company, P.C.
Certified Public Accountants

Le Mars, Iowa
October 20, 2005

SIoux COUNTY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIoux COUNTY PROVIDES THIS MANAGEMENT'S DISCUSSION AND ANALYSIS OF ITS FINANCIAL STATEMENTS. THIS NARRATIVE OVERVIEW AND ANALYSIS OF THE FINANCIAL ACTIVITIES IS FOR THE FISCAL YEAR ENDED JUNE 30, 2005. WE ENCOURAGE READERS TO CONSIDER THIS INFORMATION IN CONJUNCTION WITH THE COUNTY'S FINANCIAL STATEMENTS, WHICH FOLLOW.

2005 FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of FY05 by \$40,711,892 (net assets). Of this amount, \$10,406,380 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors.
 - Sioux County's total net assets increased by \$448,618 from FY04.
 - As of the close of FY05, Sioux County governmental funds reported combined ending fund balances of \$11,094,013, a decrease of \$488,599 in comparison with the prior year. Approximately 75% of this total amount \$8,360,553, is available for spending at the County's discretion (unreserved fund balance).
 - At the end of FY 2005, unreserved fund balance for the general fund was \$1,048,357, or 17% of total general fund expenditures.
 - The County's total debt decreased by \$339,848. The decrease was a result of the normal scheduled principal payments on the outstanding debt.
-

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The **Government-wide Financial Statements** consist of a statement of net assets and a statement of activities. These provide information about the activities of Sioux County as a whole and present an overall view of the County's finances.

The **Fund Financial Statements** tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Sioux County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sioux County acts solely as an agent or custodian for the benefit of those outside of the government.

Notes to the Financial Statements provide more detailed data and explain some of the information in the financial statements.

Supplemental Information provides detailed information about the non-major special revenue and the individual fiduciary funds.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This is similar to the accounting used by most private sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

The **statement of net assets** presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The **fund financial statements** provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The county has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue funds such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a few.

The fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

- 3) A proprietary fund accounts for the County's partial funding of health insurance deductibles, internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary fund required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Sioux County's net assets for FY05 totaled \$40,711,892. This compares to FY04 at \$40,263,274. The analysis that follows focuses on the components of net assets for the governmental activities.

Net Assets of Governmental Activities

| | 2005 | 2004 |
|---|----------------------|----------------------|
| Current and other assets | \$ 18,636,302 | \$ 17,602,100 |
| Capital assets | 35,318,662 | 34,701,865 |
| Total Assets | <u>53,954,964</u> | <u>52,303,965</u> |
| Long-term liabilities outstanding | 5,210,000 | 5,498,698 |
| Other liabilities | 8,033,072 | 6,541,993 |
| Total liabilities | <u>13,243,072</u> | <u>12,040,691</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 29,883,662 | 28,927,017 |
| Restricted | 421,850 | 424,647 |
| Unrestricted | 10,406,380 | 10,911,610 |
| Total net assets | <u>\$ 40,711,892</u> | <u>\$ 40,263,274</u> |

An insignificant portion of the County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10,406,380) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the year, the County is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The County's net assets increased by \$448,618 during the current year. This increase is attributable to the efficient operations of the activities of the County.

Governmental Activities – Governmental activities increased the County's net assets by \$448,618. Key elements of this increase are as follows:

| | 2005 | 2004 |
|------------------------------------|-------------------|-------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for service and sales | \$ 1,481,406 | \$ 1,228,334 |
| Operating grants and contributions | 5,499,963 | 5,515,188 |
| Capital grants and contributions | 1,196,280 | 2,706,669 |
| General revenues: | | |
| State Tax Credits | 337,785 | 305,210 |
| Local Option Sales Tax | 936,424 | 863,137 |
| Property tax | 5,209,082 | 5,334,077 |
| General intergovernmental revenues | 33,896 | 78,649 |
| Use of money and property | 273,694 | 242,520 |
| Other general revenues | 105,334 | 237,884 |
| Total revenues | <u>15,073,864</u> | <u>16,511,668</u> |

Program expenses:

| | | |
|--------------------------------------|----------------------|----------------------|
| Public safety and legal services | 3,211,503 | 2,881,935 |
| Physical health and social services | 990,126 | 980,605 |
| Mental health | 2,174,631 | 2,174,660 |
| County environment and education | 625,111 | 612,363 |
| Roads and transportation | 5,002,135 | 4,350,621 |
| Government services to residents | 814,558 | 651,499 |
| Administration or general government | 1,483,304 | 1,397,237 |
| Non-Program Services | 25,432 | 29,851 |
| Capital projects | 40,829 | 53,783 |
| Interest on long-term debt | 257,617 | 268,673 |
| Total expenses | 14,625,246 | 13,401,227 |
| Increase (decrease) in net assets | 448,618 | 3,110,441 |
| Net assets July 1 | 40,263,274 | 37,152,833 |
| Net assets June 30 | \$ 40,711,892 | \$ 40,263,274 |

The following information was taken from the levy rates certified by the Iowa State Department of Revenue and Finance:

Sioux County increased property tax rates by .77908 per thousand dollars of taxable valuation in FY05.

The General Basic Fund levy was increased by .51000 from FY04. The Rural Basic Fund levy was increased by .37345 from FY04.

The MH/DD levy was increased by .12720 per thousand dollars of taxable valuation.

The Debt Service levy for the Public Safety Center was eliminated for FY05 because the principal and interest payments were made from excess funds remaining in the capital project fund due to lower than estimated costs for the project.

INDIVIDUAL MAJOR FUND ANALYSIS

As Sioux County completed the year, its governmental funds reported a combined fund balance of \$11,094,013.

The General Fund, as the operating fund of Sioux County, ended FY05 with a balance of \$1,142,832. The General Fund ending fund balance in FY04 was \$1,342,904. This represents a decrease of \$200,072. The General Fund balance continues to decline. In addition to cutbacks in state shared revenue, interest rates have dropped significantly, causing this balance to drop to the point where in coming years, additional property taxes will need to be raised to stabilize the fund.

The MH/DD Fund ended FY05 with a balance of \$674,559. The ending fund balance for FY04 was \$742,099. This represents a decrease of \$67,540. The MH/DD Fund is entirely determined by state mandated formulas. Even though the balance has dropped from last year,

the balance is adequate to begin FY06. If state mandates continue to determine the amount of money that can be levied in this fund, cuts to types of services currently funded may be required.

The Rural Services Fund ended FY05 with a balance of \$756,843. The ending fund balance for FY04 was \$643,720. This represents an increase of \$113,123. This increase is attributable to the levy increase in the Rural Service Fund for FY05.

The Secondary Road Fund ended FY05 with a balance of \$6,272,213. The ending fund balance for FY04 was \$5,656,675. This represents an increase of \$615,538. The Secondary Road Fund balance continues to be a bright spot in the Sioux County budget.

The Debt Service Fund ended FY05 with a balance of \$463,332. The ending fund balance for FY04 was \$468,620. This represents a decrease of \$5,288.

General Fund Budgetary Highlights

Over the course of the year, Sioux County amended expenditures \$286,000 and revenues \$286,000. The budget was primarily amended to reflect the revenues and expenditures in the new Recorder's Electronic Transaction Fee Fund and to include the purchase and remodeling costs of the First Federal Building with offsetting revenues from the Economic Development Fund. Also, additional grants were received for services provided in this fiscal year, causing a need for both revenues and expenditures to be amended accordingly. There were no significant variations between the final budget amounts and the actual results for the general fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, Sioux County had \$35,318,662 invested in capital assets.

| Capital Assets of Governmental Activities at Year End | | |
|--|----------------------|----------------------|
| | 2005 | 2004 |
| Land | \$ 1,044,542 | \$ 1,044,542 |
| Buildings and improvements | 9,563,909 | 9,934,437 |
| Equipment | 10,656,167 | 10,233,791 |
| Infrastructure | 36,244,901 | 35,499,867 |
| Construction in Progress | 1,139,372 | 190,617 |
| Totals | <u>\$ 58,648,891</u> | <u>\$ 56,903,254</u> |

The County had depreciation expense of \$2,160,723 for the year ended June 30, 2005 and total accumulated depreciation at June 30, 2005 of \$23,330,229. Additional information on the County's capital assets can be found in Note 6 of the financial statements.

Debt

Sioux County is assigned an **A1** rating from Moody's Rating Committee for its General Obligation Bonds.

At the end of FY05 Sioux County had bonded indebtedness of \$5,435,000.

| Outstanding Debt of Governmental Activities at Year-End | | |
|--|---------------------|---------------------|
| | 2005 | 2004 |
| General obligation bonds | \$ 5,435,000 | \$ 5,650,000 |
| Capital lease purchase agreements | - | 124,848 |
| Totals | <u>\$ 5,435,000</u> | <u>\$ 5,774,848</u> |

General obligation debt relates to the issuance of general obligation bonds for the Public Safety Center construction which continues to decrease as scheduled principal payments are made. The capital lease payable decreased due to the County paying off the remaining capital lease agreements for the acquisition of sheriff vehicles. Additional information on the County's long term debt can be found in notes 7 and 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Sioux County's elected and appointed officials and citizens considered many factors when setting the FY06 budget, tax rates, and fees that finance the various County services. However, it was necessary to implement a tax levy for FY06 for the general supplemental fund of .84870 to maintain current balances. The tax rate in the Rural Basic Fund was increased by .60459 from FY05.

The General Fund ended FY05 with \$118,760 more than the FY04 ending balance. This follows a drop of \$627,830 from the previous year. (The County budgets on a cash basis, therefore, amounts in this budget section are also presented on a cash basis.) The increase in the General Supplemental levy is intended to stabilize that Fund. The tax levy rate in the Debt Service Fund was increased to .2 from zero in FY05. The remaining fund balance in the Capital Projects Fund will be transferred to the Debt Service Fund.

Sioux County still struggles from the effects of the FY03 state cutbacks in credits to taxpayers. Even though credits were given to taxpayers, the state failed to make up the difference, so Sioux County was forced to subsidize those credits from its already dwindling fund balance.

These factors were taken into account when adopting the budget for fiscal year 2006. Amounts appropriated in the General Fund are approximately \$6,821,442. Amounts appropriated in Special Revenue Funds are approximately \$11,594,813. Debt Service appropriations will be \$474,142.

If these estimates are realized, Sioux County's General Fund balance is expected to remain about the same as at FY05 year-end. The Rural Fund balance is expected to rise slightly from the previous year.

Additional office space has been requested from the Clerk of District Court. As a result of that request and also the need for additional space for various offices in the Courthouse, a committee was appointed to explore any options that may meet those needs. Sioux County

purchased the former First Federal Bank building located in Orange City with the intention of moving the County Treasurer's Office to that building to free up space in the courthouse for the Clerk of District Court office. This will result in costs for remodeling and relocating.

CONTACTING THE COUNTY'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Sioux County finances, and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

**Dennis Lange
Sioux County Auditor
210 Central Avenue SW
Orange City, Iowa 51041
(712) 737-2216**

SIOUX COUNTY BOARD OF SUPERVISORS:

Mark Sybesma Vern Beernink Loren Bouma Stanley L. De Haan John Degen

SIOUX COUNTY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2005

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and Pooled Investments | \$ 8,772,790 |
| Receivables: | |
| Property Tax | 11,026 |
| Future Property Tax | 6,961,384 |
| Accrued Interest | 24,340 |
| Accounts | 12,967 |
| Notes | 630,908 |
| Due from Other Governmental Agencies | 563,236 |
| Bond Issue Costs | 20,431 |
| Inventories | 1,497,951 |
| Prepaid Expenses | 141,269 |
| Land | 1,044,542 |
| Construction in Progress | 1,139,372 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 33,134,748 |
| Total Assets | <u>53,954,964</u> |
| LIABILITIES | |
| Accounts Payable | 430,343 |
| Due to Other Governmental Agencies | 12,073 |
| Deferred Revenue - Future Property Tax | 6,961,384 |
| Unearned Revenue | 13,413 |
| Accrued Interest Payable | 41,482 |
| Salaries and Benefits Payable | 72,405 |
| Long Term Liabilities | |
| Due within one year: | |
| General Obligation Bonds | 225,000 |
| Compensated Absences | 276,972 |
| Due in more than one year: | |
| General Obligation Bonds | 5,210,000 |
| Total Liabilities | <u>13,243,072</u> |
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | 29,883,662 |
| Restricted for: | |
| Debt Service | 421,850 |
| Unrestricted | 10,406,380 |
| Total Net Assets | <u>\$ 40,711,892</u> |

See Accompanying Notes to Financial Statements

SIOUX COUNTY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

| | | Program Revenues |
|-------------------------------------|---------------|-------------------------|
| Functions/Programs | Expenses | Charges for Services |
| Primary Government: | | |
| Governmental Activities: | | |
| Public safety and legal services | \$ 3,211,503 | \$ 805,279 |
| Physical health and social services | 990,126 | 40,812 |
| Mental health | 2,174,631 | 47,953 |
| County environment and education | 625,111 | 42,858 |
| Roads and transportation | 5,002,135 | 10,425 |
| Government services to Residents | 814,558 | 534,079 |
| Administration | 1,483,304 | |
| Non-program services | 25,432 | |
| Capital Projects | 40,829 | |
| Interest on long-term debt | 257,617 | |
| Total governmental activities | \$ 14,625,246 | \$ 1,481,406 |

See Accompanying Notes to Financial Statements

| Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|--------------------------------------|------------------------------------|--|
| Operating Grants Contributions | Capital Grants Contributions | Governmental Activities |
| \$ 93,010 | | \$ (2,313,214) |
| 718,421 | | (230,893) |
| 1,015,170 | | (1,111,508) |
| 21,951 | | (560,302) |
| 3,651,411 | 1,196,280 | (144,019) |
| | | (280,479) |
| | | (1,483,304) |
| | | (25,432) |
| | | (40,829) |
| | | (257,617) |
| <u>\$ 5,499,963</u> | <u>\$ 1,196,280</u> | <u>\$ (6,447,597)</u> |

General Revenues:

| | |
|------------------------------------|----------------------|
| Property taxes | 5,209,082 |
| Interest and penalties on taxes | 33,112 |
| State tax credits | 337,785 |
| Local option sales tax | 936,424 |
| General Intergovernmental revenues | 33,896 |
| Interest | 273,694 |
| (Loss) on Sale of Assets | (123,700) |
| Miscellaneous | 195,922 |
| Total general revenues | <u>6,896,215</u> |
| Change in net assets | 448,618 |
| Net assets - beginning | 40,263,274 |
| Net assets - ending | <u>\$ 40,711,892</u> |

SIOUX COUNTY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2005

| | General | | Mental Health | | Rural Services | |
|--|---------|-----------|---------------|-----------|----------------|-----------|
| Assets | | | | | | |
| Cash and Pooled Investments | \$ | 1,037,287 | \$ | 806,019 | \$ | 604,063 |
| Receivables: | | | | | | |
| Property Tax | | 10,491 | | 344 | | 191 |
| Future Property Tax | | 4,211,907 | | 1,027,388 | | 1,500,000 |
| Accrued Interest | | 18,202 | | | | |
| Accounts | | 3,832 | | 7,500 | | |
| Notes | | | | | | |
| Due from Other Funds | | 5,084 | | | | |
| Due from Other Governmental Agencies | | 128,350 | | | | 153,059 |
| Inventories | | | | | | |
| Prepaid Insurance | | 94,475 | | | | |
| Total Assets | | 5,509,628 | | 1,841,251 | | 2,257,313 |
| Liabilities and Equity | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | | 109,124 | | 133,897 | | 198 |
| Due to Other Funds | | | | 5,084 | | |
| Due to Other Governmental Agencies | | 12,073 | | | | |
| Deferred Revenue - Future Property Tax | | 4,211,907 | | 1,027,388 | | 1,500,000 |
| Unearned Revenue | | 23,681 | | 323 | | 148 |
| Salaries and Benefits Payable | | 10,011 | | | | 124 |
| Total Liabilities | | 4,366,796 | | 1,166,692 | | 1,500,470 |
| Fund Balances: | | | | | | |
| Reserved for Debt Service | | | | | | |
| Reserved for Inventories | | | | | | |
| Reserved for Prepaid Expenses | | 94,475 | | | | |
| Reserved for Long-term notes | | | | | | |
| Unreserved for: | | | | | | |
| General Fund | | 1,048,357 | | | | |
| Special Revenue Fund | | | | 674,559 | | 756,843 |
| Capital Project Fund | | | | | | |
| Total Fund Balances | | 1,142,832 | | 674,559 | | 756,843 |
| Total Liabilities and Equity | \$ | 5,509,628 | \$ | 1,841,251 | \$ | 2,257,313 |

See Accompanying Notes to Financial Statements

| Secondary Roads | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--------------------|-----------------|--------------------------------|--------------------------------|
| \$ 4,683,726 | \$ 463,332 | \$ 1,155,046 | \$ 8,749,473 |
| | | | 11,026 |
| | 216,022 | 6,067 | 6,961,384 |
| | | 6,138 | 24,340 |
| 1,635 | | | 12,967 |
| | | 630,908 | 630,908 |
| | | | 5,084 |
| 281,827 | | | 563,236 |
| 1,497,951 | | | 1,497,951 |
| 46,794 | | | 141,269 |
| 6,511,933 | 679,354 | 1,798,159 | 18,597,638 |
| 177,450 | | 7,858 | 428,527 |
| | | | 5,084 |
| | | | 12,073 |
| | 216,022 | 6,067 | 6,961,384 |
| | | | 24,152 |
| 62,270 | | | 72,405 |
| 239,720 | 216,022 | 13,925 | 7,503,625 |
| | 463,332 | | 463,332 |
| 1,497,951 | | | 1,497,951 |
| 46,794 | | | 141,269 |
| | | 630,908 | 630,908 |
| | | | 1,048,357 |
| 4,727,468 | | 1,153,176 | 7,312,046 |
| | | 150 | 150 |
| 6,272,213 | 463,332 | 1,784,234 | 11,094,013 |
| \$ 6,511,933 | \$ 679,354 | \$ 1,798,159 | \$ 18,597,638 |

See Accompanying Notes to Financial Statements

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SIoux COUNTY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

| | | | |
|--|--------------------------|------------------|--------------------------|
| Total Fund Balance - Governmental Funds (page 18) | | \$ | 11,094,013 |
| Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | 35,318,662 |
| Internal service funds are used by management to charge the costs of self-insured health are not included in the statement of net assets. | | | 21,501 |
| Deferred revenues from the balance sheet that provide current financial resources for governmental activities. | | | 10,739 |
| Accrued expenses from the balance sheet that require current financial resources for governmental activities. | | | (41,482) |
| Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources. | | | 20,431 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | | |
| | General Obligation Bonds | (5,435,000) | |
| | Compensated Absences | <u>(276,972)</u> | <u>(5,711,972)</u> |
| Total Net Assets - Governmental Activities (page 14) | | \$ | <u><u>40,711,892</u></u> |

SIOUX COUNTY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2005

| | General | Mental Health |
|---|---------------------|----------------------|
| Revenue: | | |
| Property and other county taxes | \$ 3,128,279 | \$ 968,326 |
| Interest and penalties on taxes | 33,112 | |
| Intergovernmental | 1,685,652 | 1,077,855 |
| Licenses and permits | | |
| Charges for services | 668,572 | 47,953 |
| Use of money and property | 252,829 | |
| Miscellaneous | 118,995 | 7,500 |
| Total Revenue | <u>5,887,439</u> | <u>2,101,634</u> |
| Expenditures: | | |
| Current operating: | | |
| Public safety and legal services | 2,665,204 | |
| Physical health and social services | 990,082 | |
| Mental Health | | 2,170,728 |
| County environment and education | 398,842 | |
| Roads and transportation | | |
| Government services to residents | 577,762 | |
| Administration | 1,525,308 | |
| Non-program services | 19,498 | |
| Capital projects | 27,913 | |
| Debt service: | | |
| Principal | | |
| Interest | | |
| Total Expenditures | <u>6,204,609</u> | <u>2,170,728</u> |
| Excess (deficiency) of revenues over expenditures | <u>(317,170)</u> | <u>(69,094)</u> |
| Other financing sources (uses): | | |
| Transfers in | | |
| Transfers (out) | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (317,170) | (69,094) |
| Fund balances-beginning of year | 1,342,904 | 742,099 |
| Prior Period Adjustment | <u>117,098</u> | <u>1,554</u> |
| Fund balances-beginning of year as restated | 1,460,002 | 743,653 |
| (Decrease) in Reserve for Inventory | | |
| Fund balances- end of year | <u>\$ 1,142,832</u> | <u>\$ 674,559</u> |

See Accompanying Notes to Financial Statements

| Rural Services | Secondary Roads | Debt Service | Other Governmental Funds | Total Governmental Funds |
|-------------------|--------------------|-----------------|--------------------------------|--------------------------------|
| \$ 2,047,375 | | | | \$ 6,143,980 |
| | | | | 33,112 |
| 87,874 | \$ 4,847,691 | | \$ 14,266 | 7,713,338 |
| | 5,175 | | | 5,175 |
| 6,373 | | | 54,326 | 777,224 |
| 5,227 | 5,250 | | 60,085 | 323,391 |
| | 77,527 | | 6,426 | 210,448 |
| 2,146,849 | 4,935,643 | - | 135,103 | 15,206,668 |
| 467,847 | | | 14,222 | 3,147,273 |
| | | | | 990,082 |
| | | | | 2,170,728 |
| 215,830 | | | 8,356 | 623,028 |
| | 3,962,119 | | | 3,962,119 |
| 1,935 | | | 263,166 | 842,863 |
| | | | | 1,525,308 |
| | | | | 19,498 |
| | 1,635,389 | | 93,044 | 1,756,346 |
| | | 215,250 | | 215,250 |
| | | 258,566 | | 258,566 |
| 685,612 | 5,597,508 | 473,816 | 378,788 | 15,511,061 |
| 1,461,237 | (661,865) | (473,816) | (243,685) | (304,393) |
| | 1,357,786 | 468,528 | | 1,826,314 |
| (1,357,786) | | | (468,528) | (1,826,314) |
| (1,357,786) | 1,357,786 | 468,528 | (468,528) | - |
| 103,451 | 695,921 | (5,288) | (712,213) | (304,393) |
| 643,720 | 5,656,675 | 468,620 | 2,496,447 | 11,350,465 |
| 9,672 | 103,823 | | | 232,147 |
| 653,392 | 5,760,498 | 468,620 | 2,496,447 | 11,582,612 |
| | (184,206) | | | (184,206) |
| \$ 756,843 | \$ 6,272,213 | \$ 463,332 | \$ 1,784,234 | \$ 11,094,013 |

See Accompanying Notes to Financial Statements

SIoux COUNTY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21) \$ (304,393)

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

| | | |
|---------------------------------|--------------------|---------|
| Expenditures for capital assets | \$ 2,911,850 | |
| Depreciation expense | <u>(2,160,723)</u> | 751,127 |

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain/loss on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities. (134,330)

Revenues reported in the funds that are not available to provide current financial resources. 1,526

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities: (1,292)

Internal service funds are used by management to fund and maintain the City's health insurance provided to user departments and are included in the statement of net assets. The net revenue of the internal service fund is reported with governmental activities. 22,672

Accrued interest expense that does not require current financial resources. 2,491

The repayment of the principal of long-term debt consumes the current financial resources of the governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:

| | | |
|--------------------------|----------------|---------|
| General Obligation Bonds | 215,000 | |
| Capital Lease Payable | <u>124,848</u> | 339,848 |

Compensated Absences that do not require current financial resources. (44,825)

Inventories and prepaid insurance in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted. (184,206)

Change in net assets of governmental activities (page 16) \$ 448,618

SIOUX COUNTY, IOWA
STATEMENT OF NET ASSETS
Governmental Activities - Internal Service Fund
JUNE 30, 2005

ASSETS

Current Assets

Cash and Pooled Investments

\$ 23,317

Total Assets

23,317

LIABILITIES

Current Liabilities

Accounts Payable

1,816

Total Liabilities

1,816

NET ASSETS

Unrestricted

\$ 21,501

SIOUX COUNTY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
Governmental Activities - Internal Service Fund
For the Year Ended June 30, 2005

| | |
|---|-------------------------|
| Operating revenues: | |
| Charges for services to operating funds | \$ 45,000 |
| Reimbursement from employees/insurance | 15,682 |
| Total operating revenue | <u>60,682</u> |
| Operating expenses: | |
| Claims paid | 28,963 |
| Administrative fees | 9,302 |
| Total operating expenses | <u>38,265</u> |
| Operating Income | 22,417 |
| Nonoperating income: | |
| Interest on investments | <u>255</u> |
| Net Income | 22,672 |
| Transfers from Other Funds | <u>-</u> |
| Change in Net Assets | 22,672 |
| Net assets - beginning | <u>(1,171)</u> |
| Net assets - ending | <u><u>\$ 21,501</u></u> |

See Accompanying Notes to Financial Statements

SIOUX COUNTY, IOWA
STATEMENT OF CASH FLOWS
Governmental Activities - Internal Service Fund
For the Year Ended June 30, 2005

| | |
|---|-----------------------------|
| Cash flows from operating activities: | |
| Cash received from employer contributions | \$ 45,000 |
| Cash received from retiree/other contribution | 15,682 |
| Cash payments for insurance premiums and services | <u>(40,708)</u> |
| Net cash provided by operating activities | <u>19,974</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>255</u> |
| Net increase in cash and cash equivalents | 20,229 |
| Cash and pooled investments - beginning of year | <u>3,088</u> |
| Cash and pooled investments - end of year | <u><u>\$ 23,317</u></u> |
| Reconciliation of operating income to net cash used in operating activities: | |
| Operating income | \$ 22,417 |
| Change in assets and liabilities: | |
| (Decrease) in accounts payable | <u>(2,443)</u> |
| Net cash provided by operating activities | <u><u>\$ 19,974</u></u> |

SIOUX COUNTY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
JUNE 30, 2005

ASSETS

| | | |
|-----------------------------|----|-------------------|
| Cash and Pooled Investments | \$ | 1,339,703 |
| Receivables: | | |
| Property Tax | | 12,094 |
| Future Property Tax | | 24,181,163 |
| Accounts | | 23,521 |
| Assessments | | 151,871 |
| Notes | | 7,378 |
| Total Assets | | <u>25,715,730</u> |

LIABILITIES

| | | |
|-------------------------------|----|-------------------|
| Accounts Payable | | 13,642 |
| Due to Other Governments | | 25,667,864 |
| Salaries and Benefits Payable | | 6,530 |
| Compensated Absences | | 27,694 |
| Total Liabilities | \$ | <u>25,715,730</u> |

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sioux County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The County applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its one proprietary fund.

The more significant accounting policies established in GAAP and used by the County are discussed below.

- A. Reporting Entity – For financial reporting purposes, Sioux County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations for which the County is not financially accountable or that the nature and significance of the relationship with the County are such that exclusion does not cause the County's financial statements to be misleading or incomplete. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Sioux County Assessor's Conference Board, Sioux County Emergency Management Commission, Sioux County Public Safety Commission, the Sioux County Civil Service Commission, and Sioux County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County. The County Board of Supervisors also are members of the Sioux County Revolving Loan Fund. This fund is reported as a special revenue fund in these financial statements. Sioux County is also a member of a 28E agreement with the Northwest Iowa Area Solid Waste Agency.

- B. Basic Financial Statements – Government-Wide Statements – The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements contain only governmental activities. The County's Public Safety and Legal Services, Physical Health and Social Services, County Environment and Education, and Government Services to Residents are classified as governmental activities. The County's internal service fund is classified as a primarily governmental type activity.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions (administration, law enforcement, courts, roads, etc.). The functions are also supported by general government revenues (property taxes, fines, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The County does not allocate indirect costs. Certain expenses of the County are accounted for through the internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

- C. Basis of Presentation – Fund Accounting – The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in the governmental activities category. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The County electively added funds, as major funds, which had a specific county focus. The nonmajor funds are combined in a column in the fund financial statements.

The County reports the following major governmental Funds:

Governmental Fund Types – The focus of the governmental funds' measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The County reports the following major governmental funds.

- 1) General Fund - The general fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by the law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

SIoux COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2) Special Revenue Funds

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

3) Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles used are those applicable to similar businesses in the private sector. The County reports the following proprietary fund:

Internal Service Fund – Accounts for the County's partial self-funded insurance plan for health insurance.

The County's internal service fund is presented as a proprietary fund financial statement. The users of the internal services are the County's governmental activities therefore the financial statement of net assets is consolidated into the government-wide statement of net assets. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support County programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide statements.

The agency funds of the County account for the property taxes levied by political subdivisions within the County, collections of those amounts by the county, and the remittance of the collected amounts to the subdivisions.

D. Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A 60-day availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the County’s internal service fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- E. Budgets – The budgetary comparison and related disclosures are reported as Required Supplementary Information.
- F. Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. The County has defined cash and cash equivalents to include cash on hand and demand deposits. In addition, each fund’s equity in the County’s investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. The County uses the following method in determining the reported amounts:

| Type | Method |
|---------------------------------------|---|
| Certificates of Deposit | Cost |
| GNMA Securities | Fair Values |
| Federal Home Loan Mortgage Securities | Based upon quoted market prices |
| FNMA Securities | " |
| SLMA Securities | " |
| U.S. Treasury Notes | " |
| Iowa Public Agency Investment Trust | Fair value determined by current share prices |

- G. Property Tax Receivable – The County’s property tax rates were extended against the assessed valuation of the County as of January 1, 2003 to compute the amounts that became liens on property on July 1, 2004. These taxes were due and payable in two installments on September 30, 2004 and March 31, 2005 at the County Treasurer’s Office. Property tax receivable represents taxes that are due and payable but have not been collected.
- H. Future Property Taxes Receivable – This represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Although the succeeding year property tax receivable has been recorded, for governmental funds the revenue is recorded as unearned revenue and will not be recognized as revenue until the year for which it is levied. For agency funds, as no revenues are recorded, the amounts are reflected as being due to other governments.

- I. Assessments Receivable – Assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten or more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessments receivable represents assessments, which are due and payable in the next year but have not been collected and are recorded in a fiduciary fund of the County.
- J. Due to/from Other Funds – During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.
- K. Due to/from Other Governments – Due to/from other governments represents state tax credits due from the State of Iowa, various shared revenues, grants, and reimbursements receivable and taxes and other revenues collected by the County which will be remitted to other governments.
- L. Inventories – Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Reported inventories in the fund financial statements are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.
- M. Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.
- N. Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- O. Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable not collected within sixty days after year-end.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

P. Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of \$5,000 for buildings and structures and machinery and equipment and in excess of \$25,000 for infrastructure. Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

| | |
|--------------------------|---------------|
| Buildings and Structures | 10 – 50 Years |
| Infrastructure | 10 – 65 Years |
| Machinery and Equipment | 3 – 20 Years |

NOTE 2 - DEPOSITS AND POOLED INVESTMENTS

The County's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2005 the County had the following investments:

| <u>Type</u> | <u>Maturity</u> | <u>Credit Risk</u> | <u>Fair Value</u> |
|---------------------------------|-----------------|--------------------|-------------------|
| Federal Home Loan Bank | 12/15/2005 | AAA | \$248,890 |
| Federal Home Loan Bank | 2/15/2006 | AAA | 250,058 |
| Federal Home Loan Bank | 12/9/2005 | AAA | 100,000 |
| Federal Home Loan Bank | 12/30/2008 | AAA | 250,000 |
| Federal Home Loan Bank | 11/9/2006 | AAA | 250,000 |
| Federal Home Loan Mortgage Corp | 11/28/2005 | AAA | 250,078 |
| Federal Home Loan Mortgage Corp | 1/1/2006 | AAA | 37,023 |
| Federal Home Loan Bank | 7/20/2005 | AAA | 248,848 |
| Federal National Mortgage Ass'n | 7/6/2005 | AAA | 249,163 |
| Federal National Mortgage Ass'n | 8/5/2005 | AAA | 248,515 |
| Federal National Mortgage Ass'n | 8/17/2005 | AAA | 248,902 |

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,147,604 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 2 - DEPOSITS AND POOLED INVESTMENTS - (CONTINUED)

Interest Rate Risk: The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the County.

Credit Risk: The County's investment at June 30, 2005 were rated AAA by Moody's Investors service. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk: The County's investment policy places limits on the amount that may be invested in any one issuer. At the time of purchase, no more than five (5) percent of the investment portfolio of Sioux County shall be invested in the securities of a single issuer. However, as of June 30, 2005, the County's investment in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation was 16.5% and 6.3%, respectively, of the County's total investments. The County's investment in the Federal Home Loan Bank is not subject to concentration of credit risk as the Federal Home Loan Bank represents U.S. government issued debt.

Cash and Pooled Investments

The County pools the resources of each individual fund's available cash in order to obtain higher rates of return than could be if the funds were invested individually. The cash and pooled investments at June 30, 2005 consisted of the following:

Reconciliation to the Financial Statements:

| | <u>Carrying Amount</u> |
|--|-----------------------------------|
| Investments | \$ 4,529,081 |
| Demand Deposits | 2,007,412 |
| Time Deposits | 3,575,000 |
| Cash on Hand | 1,000 |
| | <u><u>\$ 10,112,493</u></u> |
| Cash and Pooled Investments - Governmental Activities | \$ 8,772,790 |
| Cash and Pooled Investments - Agency Funds | 1,339,703 |
| | <u><u>\$ 10,112,493</u></u> |

NOTE 3 - NOTES RECEIVABLE

Sioux County Revolving Loan Fund - During the year ended June 30, 1989 the Sioux County Revolving Loan Fund was incorporated. The purpose of the corporation is to promote economic development in Sioux County. During the year ended June 30, 2005, the County made no contributions to the Sioux County Revolving Loan Fund. The County records the loan activity of this corporation in a Special Revenue Fund.

The proceeds from the businesses remain in the Sioux County Revolving Loan Fund for future loans to other businesses. Loan repayments totaled \$216,127 during the year ended June 30, 2005. The loans are secured by real estate mortgages and personal guarantees of the business owners.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 3 - NOTES RECEIVABLE – (CONTINUED)

Loans by the Sioux County Revolving Loan Fund are as follows:

| Loaned to | Date of Loan | Original Loan Amount | Interest Rate | Term of Loan | Monthly Payment | Loan Balance June 30, 2005 |
|---|--------------------|----------------------------|------------------|--------------------|--------------------|----------------------------------|
| Nemschoff Chairs, Inc. | April 27, 2000 | \$ 100,000 | 4.95 | 6 yrs. | 1,608 | \$ 17,363 |
| Den Hartog Industries | November 1, 2001 | 100,000 | 3.85 | 5 yrs | 1,835 | 30,311 |
| Valley Machining Co., Inc. | November 23, 1999 | 100,000 | 5.78 | 6 yrs. | 1,647 | 9,716 |
| | October 10, 2001 | 100,000 | 5.25 | 5 yrs. | 1,899 | 29,277 |
| Sioux Automation Center, Inc | July 31, 2000 | 100,000 | 6.30 | 6 yrs. | 1,671 | 24,050 |
| Quality Machine Products, Inc. | March 16, 2001 | 9,417 | 6.30 | 5 yrs. | 183 | 4,921 |
| | November 1, 2001 | 9,167 | 6.30 | 5 yrs. | 178 | 5,988 |
| | February 28, 2002 | 5,216 | 6.30 | 4 yrs. | 123 | 3,413 |
| | August 23, 2002 | 29,167 | 6.30 | 4 yrs. | 798 | 23,448 |
| | September 27, 2002 | 2,591 | 6.30 | 3.5 yrs. | 70 | 1,889 |
| | March 31, 2005 | 5,833 | 6.30 | 5 yrs. | 114 | 5,667 |
| Valley Industrial Powder Coating, Inc. | June 4, 2002 | 75,000 | 3.35 | 5 yrs. | 1,359 | 31,503 |
| Total Component Solutions | August 2, 2002 | 100,000 | 3.30 | 5 yrs. | 1,812 | 45,377 |
| Revival Animal Health | January 28, 2003 | 100,000 | 3.80 | 7 yrs. | 1,358 | 69,570 |
| Midwest Enrg Flakes, Inc. | August 4, 2003 | 50,000 | 3.80 | 7 yrs. | 679 | 38,158 |
| VH Manufacturing | August 15, 2003 | 60,000 | 3.00 | 5 yrs. | 1,078 | 39,036 |
| Siouxland Fabricating | November 6, 2003 | 50,000 | 3.00 | 5 yrs. | 898 | 34,970 |
| Patrick Cudahy, Inc. | January 20, 2004 | 100,000 | 3.00 | 5 yrs. | 1,797 | 73,171 |
| TEC Industries, LLC | February 1, 2005 | 100,000 | 3.325 | 5 yrs. | 1,811 | 93,837 |
| Midwest Promanufacturing | April 29, 2005 | 50,000 | 3.85 | 5 yrs. | 917 | 49,243 |
| | | <u>\$ 1,246,391</u> | | | | <u>\$ 630,908</u> |

Rural Community 2000 Program Loan - During the year ended June 30, 1990, the County was awarded a loan in the amount of \$90,000 for well installation and improvement and water main installation from the Iowa Department of Economic Development's Rural Community 2000 Program, which the County subsequently loaned to the Southern Sioux Rural Water System. This note is secured by the system improvements made with the loan. The loan requires 15 annual payments of \$7,599 annually, which represents principal and interest at three percent per annum. The balance at June 30, 2005 was \$7,378.

The County is required to remit the proceeds of the loan repayments from the subrecipients to the Iowa Department of Economic Development. The activity is recorded in a Fiduciary Fund showing both a notes receivable and a due to other governments.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The detail of interfund receivables and payables at June 30, 2005 is as follows:

| <u>Fund Due to</u> | <u>Fund Due From</u> | <u>Amount</u> |
|--------------------|----------------------|-----------------|
| General | Mental Health Fund | <u>\$ 5,084</u> |

These balances were a result of a receipt recorded in the Mental Health Fund in error. The interfund receivable and payable was set up to correct the error.

NOTE 5 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

| Transfer Out: | | | |
|----------------------|---------------------------|-----------------------------|---------------------|
| Transfer In: | <u>Rural Services</u> | <u>Capital Projects</u> | <u>Transfer Out</u> |
| Secondary Roads | \$ 1,357,786 | - | \$ 1,357,786 |
| Debt Service Fund | - | \$ 468,528 | 468,528 |
| | <u>\$ 1,357,786</u> | <u>\$ 468,528</u> | <u>\$ 1,826,314</u> |

Transfers were used to:

1. Move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.
2. Move excess funds in the capital project fund to the debt service fund to service repayment of the General Obligation Bonds issued for the Public Safety Center project.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | Balance July 1, 2004 | Additions | Deletions | Balance June 30, 2005 |
|---|----------------------------|--------------|------------|-----------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,044,542 | - | - | \$ 1,044,542 |
| Construction in Progress | 190,617 | \$ 1,139,372 | \$ 190,617 | 1,139,372 |
| Total capital assets not being depreciated | 1,235,159 | 1,139,372 | 190,617 | 2,183,914 |
| Capital assets being depreciated: | | | | |
| Buildings | 9,934,437 | 182,869 | 553,397 | 9,563,909 |
| Equipment | 10,233,791 | 744,512 | 322,136 | 10,656,167 |
| Infrastructure | 35,499,867 | 1,035,714 | 290,680 | 36,244,901 |
| Total capital assets being depreciated | 55,668,095 | 1,963,095 | 1,166,213 | 56,464,977 |
| Less: Accumulated Depreciation for: | | | | |
| Buildings | 3,833,526 | 171,825 | 525,728 | 3,479,623 |
| Equipment | 5,752,186 | 545,786 | 278,925 | 6,019,047 |
| Infrastructure | 12,615,677 | 1,443,112 | 227,230 | 13,831,559 |
| Total Accumulated Depreciation | 22,201,389 | 2,160,723 | 1,031,883 | 23,330,229 |
| Total capital assets being depreciated, net | 33,466,706 | (197,628) | 134,330 | 33,134,748 |
| Governmental activities capital assets, net | \$ 34,701,865 | \$ 941,744 | \$ 324,947 | \$ 35,318,662 |

Construction in progress at June 30, 2005 consisted of costs associated with the construction of County roads.

Depreciation expense was charged to the functions as follows:

| | |
|-------------------------------------|---------------------|
| Public Safety and Legal Services | \$ 181,667 |
| Physical Health and Social Services | 1,253 |
| County Environment and Education | 51,280 |
| Roads and Transportation | 1,795,530 |
| Government Services to Residents | 117,639 |
| Administration | 7,420 |
| Non-Program | 5,934 |
| | <u>\$ 2,160,723</u> |

Reconciliation of Investment in Capital Assets:

| | Governmental Activities |
|---|----------------------------|
| Land | \$ 1,044,542 |
| Construction in Progress | 1,139,372 |
| Capital Assets (net of accumulated depreciation) | 33,134,748 |
| Less: General Obligation Bonds | <u>(5,435,000)</u> |
| Investment in Capital Assets, Net of Related Debt | <u>\$ 29,883,662</u> |

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 7 - CAPITAL LEASE PURCHASE AGREEMENT

The County has entered into lease agreements as lessee for financing the acquisition of sheriff vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date. The leases were all paid in full during the year.

The following is a summary of the changes in the capital lease payable:

| | Capital Lease Payable |
|---------------------------|--------------------------------------|
| Balance Beginning of Year | \$ 124,848 |
| Decreases | 124,848 |
| Balance End of Year | <u>\$ -</u> |

The assets acquired through capital leases are as follows:

| | Governmental Activities |
|--------------------------------|------------------------------------|
| Equipment | \$ 185,030 |
| Less: Accumulated Depreciation | (72,683) |
| Total | <u>\$ 112,347</u> |

NOTE 8 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

| | General Obligation Bonds | Compensated Absences | Total |
|---------------------------|---|---------------------------------|---------------------|
| Balance Beginning of Year | \$ 5,650,000 | \$ 232,147 | \$ 5,882,147 |
| Increases | - | 276,972 | 276,972 |
| Decreases | 215,000 | 232,147 | 447,147 |
| Balance End of Year | <u>\$ 5,435,000</u> | <u>\$ 276,972</u> | <u>\$ 5,711,972</u> |
| Due Within One Year | <u>\$ 225,000</u> | <u>\$ 276,972</u> | <u>\$ 501,972</u> |

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 8 - GENERAL OBLIGATION LIABILITIES – (CONTINUED)

In March 2002, the County issued \$6,000,000 General Obligation Bonds to acquire land and build, equip and furnish a Public Safety Center. The annual requirements to amortize this debt are as follows:

| <u>Year Ending</u> <u>June 30</u> | <u>Interest</u> <u>Rates</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|---------------------------------|---------------------|---------------------|---------------------|
| 2006 | 4.50% | \$ 225,000 | \$ 248,891 | \$ 473,891 |
| 2007 | 4.50% | 240,000 | 238,766 | 478,766 |
| 2008 | 4.50% | 250,000 | 227,966 | 477,966 |
| 2009 | 4.50% | 265,000 | 216,716 | 481,716 |
| 2010 | 4.40% | 280,000 | 204,791 | 484,791 |
| 2011-2015 | 4.15%-4.55% | 1,625,000 | 831,246 | 2,456,246 |
| 2016-2020 | 4.60%-4.875% | 2,070,000 | 426,461 | 2,496,461 |
| 2021 | 5.0% | 480,000 | 24,000 | 504,000 |
| | | <u>\$ 5,435,000</u> | <u>\$ 2,418,837</u> | <u>\$ 7,853,837</u> |

\$463,332 is available in the Debt Service Fund to service the General Obligation Bonds. The general obligation bonds are to be retired through property tax levies.

In March, 2005, the County authorized the issuance of \$5,000,000 General Obligation Capital Loan Notes for the purpose of paying costs of aiding in the planning, undertaking and carrying out of the Urban Renewal District 1 Project Area project, including road improvements. As of June 30, 2005 and the issuance of the report the bonds have not yet been issued.

NOTE 9 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the County is required to contribute 5.75 percent of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 5.1% and 7.66%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$264,910, \$254,060, and \$232,168, respectively, equal to the required contributions for each year.

NOTE 10 - RISK MANAGEMENT

Sioux County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 10 - RISK MANAGEMENT – (CONTINUED)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were \$224,558.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and boiler and machinery. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

SIoux COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 11 - CONTINGENCY

The County receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2005, the County estimates that no material liabilities will result from such audits.

The County is a defendant in a number of lawsuits in its normal course of operations. The outcome of these lawsuits is not presently determinable and an estimate of possible losses cannot be made.

NOTE 12 - CONSTRUCTION COMMITMENT

The County has entered into several construction contracts totaling \$1,127,989 for bridge and culvert construction and roadway paving. As of June 30, 2005, costs of \$132,068 had been incurred against the contracts. The balance of \$995,921 will be paid as work on the projects progress.

NOTE 13 - FUND BALANCE DESIGNATIONS

The County Board of Supervisors designated \$50,000 of the general fund balance per year, beginning in fiscal year 2000 for the purchase of new electronic voting equipment. The total designation at June 30, 2005 was \$250,000.

The Board had also originally designated \$300,000 of the Rural Services Fund Balance, including all interest earned on the original designation to be used to assist cities in the purchase of new ambulances. The balance remaining of the designation at June 30, 2005 is \$312,581.

The designations are included in unreserved fund balances in the government-wide financial statements and in the applicable fund financial statements.

NOTE 14 - CONDUIT DEBT OBLIGATIONS

The County has issued Senior Housing Revenue Bonds to provide financial assistance to a non-profit corporation for the acquisition, construction, and equipping of assisted and independent housing for seniors deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the non-profit corporation. Neither the County, the State, nor any political subdivision, thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The Senior Housing Revenue Bonds outstanding had an original issue amount of \$4,500,000. The outstanding balance at June 30, 2005 was \$3,985,000.

NOTE 15 - PARTIALLY SELF-FUNDED HEALTH INSURANCE PLAN

The Sioux County Partially Self-Funded (PSF) Health Insurance Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for out-of-pocket maximums of \$500 for single individuals and \$1,000 for family coverage.

Monthly payments of service fees and plan contributions to the Sioux County PSF Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Blue Cross and Blue Shield of Iowa from the Sioux

SIoux COUNTY, IOWA
Notes to Financial Statements
June 30, 2005

NOTE 15 - PARTIALLY SELF-FUNDED HEALTH INSURANCE PLAN – (CONTINUED)

County PSF Health Insurance Fund. The County records the plan assets and related liabilities of the Sioux County PSF Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$45,000.

Amounts payable from the PSF Health Insurance Fund at June 30, 2005 total \$1,816 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on estimates of the amounts necessary to pay current year claims. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|-----------------|-----------------|
| Unpaid claims, beginning of year | \$ 4,259 | \$ 15,571 |
| Incurred claims (including IBNR's) | 28,963 | 21,169 |
| Claim Payments | <u>(31,406)</u> | <u>(32,481)</u> |
| Unpaid claims, end of year | <u>\$ 1,816</u> | <u>\$ 4,259</u> |

NOTE 16 - GUARANTEED DEBT

Sioux County is a member of a 28E agreement with the Northwest Iowa Area Solid Waste Agency. Sioux County has provided a Local Government Guarantee as specified in IAC 567-111.6(8) for the Agency. The current closure and/or postclosure cost estimates being assured through the Local Government Guarantee by Sioux County are as follows:

| | |
|---------------------------------|-----------|
| Closure cost to be assured: | \$ 14,528 |
| Postclosure cost to be assured: | \$222,472 |

NOTE 17 - PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended June 30, 2004, the liability for compensated absences for active employees was recorded in error in the governmental funds. The beginning fund balances have been adjusted to correct the overstated liability at June 30, 2004.

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REQUIRED SUPPLEMENTARY INFORMATION

SIOUX COUNTY, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2005

| | Budgeted Amounts | | Actual | Variance with |
|--|-----------------------|-----------------------|---------------------|---------------------|
| | Original | Amended | (Cash Basis) | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Revenue: | | | | |
| Property and other county taxes | \$ 6,281,118 | \$ 6,281,118 | \$ 6,131,185 | \$ (149,933) |
| Interest and penalties on taxes | 31,000 | 31,000 | 33,048 | 2,048 |
| Intergovernmental | 7,475,216 | 7,725,216 | 7,130,238 | (594,978) |
| Licenses and permits | 2,500 | 2,500 | 5,275 | 2,775 |
| Charges for services | 611,115 | 647,115 | 817,749 | 170,634 |
| Use of money and property | 348,263 | 348,263 | 371,440 | 23,177 |
| Miscellaneous | 144,085 | 144,085 | 217,862 | 73,777 |
| Total Revenue | 14,893,297 | 15,179,297 | 14,706,797 | (472,500) |
| Expenditures: | | | | |
| Current operating: | | | | |
| Public safety and legal services | 3,169,510 | 3,169,510 | 3,156,246 | 13,264 |
| Physical health and social services | 1,254,826 | 1,304,826 | 999,908 | 304,918 |
| Mental Health | 2,523,204 | 2,523,204 | 2,235,354 | 287,850 |
| County environment and education | 633,421 | 633,421 | 608,520 | 24,901 |
| Roads and transportation | 4,425,900 | 4,425,900 | 3,959,454 | 466,446 |
| Government services to residents | 893,121 | 979,121 | 768,698 | 210,423 |
| Administration | 1,694,188 | 1,844,188 | 1,503,551 | 340,637 |
| Non-program services | 50,750 | 50,750 | 18,061 | 32,689 |
| Debt service | 473,816 | 473,816 | 473,816 | - |
| Capital projects | 2,231,175 | 2,231,175 | 640,362 | 1,590,813 |
| Total Expenditures | 17,349,911 | 17,635,911 | 14,363,970 | 3,271,941 |
| Excess (Deficiency) of revenues over expenditures | (2,456,614) | (2,456,614) | 342,827 | 2,799,441 |
| Other financing sources (uses): | | | | |
| Transfers in | 2,192,786 | 2,192,786 | 1,826,314 | (366,472) |
| Transfers out | (2,192,786) | (2,192,786) | (1,826,314) | 366,472 |
| Proceeds of Fixed Asset Sales | 1,150 | 1,150 | - | (1,150) |
| Total other financing sources (uses) | 1,150 | 1,150 | - | (1,150) |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | <u>\$ (2,455,464)</u> | <u>\$ (2,455,464)</u> | 342,827 | <u>\$ 2,798,291</u> |
| Balance beginning of year | | | 8,406,646 | |
| Balance end of year | | | <u>\$ 8,749,473</u> | |

SIOUX COUNTY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$286,000. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During fiscal year 2005, the County had one budget amendment. The amendment is as follows:

| <u>Function</u> | <u>Original Budget</u> | <u>Amendment</u> | <u>Amended Budget</u> |
|-------------------------------------|----------------------------|-------------------|---------------------------|
| Public Safety and Legal Services | \$ 3,169,510 | | \$ 3,169,510 |
| Physical Health and Social Services | 1,254,826 | \$ 50,000 | 1,304,826 |
| Mental Health | 2,523,204 | | 2,523,204 |
| County Environment and Education | 633,421 | | 633,421 |
| Roads and Transportation | 4,425,900 | | 4,425,900 |
| Government Services to Residents | 893,121 | 86,000 | 979,121 |
| Administration | 1,694,188 | 150,000 | 1,844,188 |
| Non-Program | 50,750 | | 50,750 |
| Capital Projects | 2,231,175 | | 2,231,175 |
| Debt Service | 473,816 | | 473,816 |
| Total | <u>\$ 17,349,911</u> | <u>\$ 286,000</u> | <u>\$ 17,635,911</u> |

SIOUX COUNTY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2005

As noted previously, the actual results of operations are presented in accordance with U.S. generally accepted accounting principles which differ in certain respects from those practices used in the preparation of the 2004-05 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis which is consistent with the County's budgeted expenditures. The adjustments required to convert the expenses to cash basis at the end of year are as follows:

| | Governmental Funds | | |
|-------------------------------------|---------------------------|--------------------------------|---------------------------------------|
| | | Total | |
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 14,706,797 | \$ 499,871 | \$ 15,206,668 |
| Expenditures | 14,363,970 | 1,147,091 | 15,511,061 |
| Net | 342,827 | (647,220) | (304,393) |
| Other Financing Sources (Uses) | - | - | - |
| Beginning Fund Balance, as Restated | 8,406,646 | 3,175,966 | 11,582,612 |
| Increase in Reserve for Inventory | - | (184,206) | (184,206) |
| Ending Fund Balance | <u>\$ 8,749,473</u> | <u>\$ 2,344,540</u> | <u>\$ 11,094,013</u> |

OTHER SUPPLEMENTARY INFORMATION

SIOUX COUNTY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2005

| | Special Revenue Funds | | |
|--|---|-------------------------------|--|
| | Recorder's Records Management Fund | Federal Revenue Sharing | Sioux County Revolving Loan Fund |
| Assets | | | |
| Cash and Pooled Investments | \$ 25,973 | \$ 122,831 | \$ 792,399 |
| Receivables: | | | |
| Future Property Tax | | | |
| Accrued Interest | | | 6,138 |
| Notes | | | 630,908 |
| Total Assets | <u>25,973</u> | <u>122,831</u> | <u>1,429,445</u> |
| Liabilities and Equity | | | |
| Liabilities: | | | |
| Accounts Payable | | | |
| Deferred Revenue - Future Property Tax | | | |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Long-term notes | | | 630,908 |
| Unreserved for: | | | |
| Special Revenue Fund | 25,973 | 122,831 | 798,537 |
| Capital Project Fund | | | |
| Total Fund Balances | <u>25,973</u> | <u>122,831</u> | <u>1,429,445</u> |
| Total Liabilities and Equity | <u>\$ 25,973</u> | <u>\$ 122,831</u> | <u>\$ 1,429,445</u> |

| Special Revenue Funds | | | | | | |
|---------------------------------|--|-------------------------------------|--|---------------------------------|--------------------|--------------|
| Sheriff's Forfeiture Fund | Resource Enhancement and Protection | Conservation Land Acquisition | Recorder Electronic Transaction Fee | Urban Renewal District #1 | Capital Project | Total |
| \$ 4,794 | \$ 76,795 | \$ 131,224 | \$ 880 | | \$ 150 | \$ 1,155,046 |
| | | | | \$ 6,067 | | 6,067 |
| | | | | | | 6,138 |
| | | | | | | 630,908 |
| 4,794 | 76,795 | 131,224 | 880 | 6,067 | 150 | 1,798,159 |
| | 7,858 | | | | | 7,858 |
| | | | | 6,067 | | 6,067 |
| - | 7,858 | - | - | 6,067 | - | 13,925 |
| | | | | | | 630,908 |
| 4,794 | 68,937 | 131,224 | 880 | | | 1,153,176 |
| | | | | | 150 | 150 |
| 4,794 | 68,937 | 131,224 | 880 | - | 150 | 1,784,234 |
| \$ 4,794 | \$ 76,795 | \$ 131,224 | \$ 880 | \$ 6,067 | \$ 150 | \$ 1,798,159 |

SIOUX COUNTY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2005

| | Special Revenue Funds | | |
|---|---|--|---|
| | Recorder's Records Management Fund | Federal Revenue Sharing | Sioux County Revolving Loan Fund |
| Revenue: | | | |
| Intergovernmental | | | |
| Charges for services | \$ 7,621 | | |
| Use of money and property | 375 | \$ 3,591 | \$ 49,311 |
| Miscellaneous | | | 225 |
| Total Revenue | <u>7,996</u> | <u>3,591</u> | <u>49,536</u> |
| Expenditures: | | | |
| Current operating: | | | |
| Public safety and legal services | | | |
| County environment and education | | | |
| Government services to residents | 490 | | 226,330 |
| Capital projects | | | |
| Total Expenditures | <u>490</u> | <u>-</u> | <u>226,330</u> |
| Excess (Deficiency) of revenues over expenditures | <u>7,506</u> | <u>3,591</u> | <u>(176,794)</u> |
| Other financing sources (uses): | | | |
| Transfers (out) | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 7,506 | 3,591 | (176,794) |
| Fund balances-beginning of year | <u>18,467</u> | <u>119,240</u> | <u>1,606,239</u> |
| Fund balances- end of year | <u>\$ 25,973</u> | <u>\$ 122,831</u> | <u>\$ 1,429,445</u> |

| Special Revenue Funds | | | | | | |
|---------------------------------|--|-------------------------------------|--|---------------------------------|--------------------|--------------|
| Sheriff's Forfeiture Fund | Resource Enhancement and Protection | Conservation Land Acquisition | Recorder Electronic Transaction Fee | Urban Renewal District #1 | Capital Project | Total |
| | \$ 14,266 | | | | | \$ 14,266 |
| | | \$ 32,509 | \$ 14,196 | | | 54,326 |
| \$ 22 | 1,098 | 1,920 | 295 | - | \$ 3,473 | 60,085 |
| 6,168 | | | | | 33 | 6,426 |
| 6,190 | 15,364 | 34,429 | 14,491 | - | 3,506 | 135,103 |
| | | | | | | |
| 14,222 | | | | | | 14,222 |
| | 7,858 | 498 | | | | 8,356 |
| | | | 36,346 | | | 263,166 |
| | | | | | 93,044 | 93,044 |
| 14,222 | 7,858 | 498 | 36,346 | - | 93,044 | 378,788 |
| | | | | | | |
| (8,032) | 7,506 | 33,931 | (21,855) | - | (89,538) | (243,685) |
| | | | | | | |
| | | | | | (468,528) | (468,528) |
| - | - | - | - | - | (468,528) | (468,528) |
| | | | | | | |
| (8,032) | 7,506 | 33,931 | (21,855) | - | (558,066) | (712,213) |
| 12,826 | 61,431 | 97,293 | 22,735 | - | 558,216 | 2,496,447 |
| | | | | | | |
| \$ 4,794 | \$ 68,937 | \$ 131,224 | \$ 880 | \$ - | \$ 150 | \$ 1,784,234 |

SIOUX COUNTY, IOWA
COMBINING STATEMENT OF NET ASSETS
Agency Funds
For the Year Ended June 30, 2005

| | County Recorder | County Sheriff | Agricultural Extension | County Assessor |
|-------------------------------|--------------------|-------------------|---------------------------|--------------------|
| ASSETS | | | | |
| Cash and Pooled Investments | | \$ 104,990 | \$ 1,911 | \$ 113,292 |
| Receivables: | | | | |
| Property Tax | | | 53 | 99 |
| Future Property Tax | | | 165,572 | 348,501 |
| Accounts | \$ 317 | | | |
| Assessments | | | | |
| Notes | | | | |
| Total Assets | 317 | 104,990 | 167,536 | 461,892 |
| LIABILITIES | | | | |
| Accounts Payable | | 625 | | 587 |
| Due to Other Governments | 317 | 104,365 | 167,536 | 451,554 |
| Salaries and Benefits Payable | | | | |
| Compensated Absences | | | | 9,751 |
| Total Liabilities | \$ 317 | \$ 104,990 | \$ 167,536 | \$ 461,892 |

| Schools | Area Schools | Corporations | Townships | City Special Assessments | Auto License and Use Tax |
|---------------|-----------------|--------------|------------|--------------------------------|--------------------------------|
| \$ 173,148 | \$ 6,678 | \$ 63,610 | \$ 3,423 | \$ 8,411 | \$ 649,071 |
| 5,022 | 186 | 6,678 | 55 | | |
| 13,387,519 | 616,391 | 9,421,206 | 238,101 | | |
| | | | | 151,871 | |
| 13,565,689 | 623,255 | 9,491,494 | 241,579 | 160,282 | 649,071 |
| 13,565,689 | 623,255 | 9,491,494 | 241,579 | 160,282 | 649,071 |
| \$ 13,565,689 | \$ 623,255 | \$ 9,491,494 | \$ 241,579 | \$ 160,282 | \$ 649,071 |

(continued)

SIOUX COUNTY, IOWA
COMBINING STATEMENT OF NET ASSETS - (Continued)
Agency Funds
For the Year Ended June 30, 2005

| | Property Tax Agency | Joint Disaster Services | Brucellosis and Tuberculosis Eradication | Communica- tion Commission |
|-------------------------------|---------------------------|-------------------------------|---|----------------------------------|
| ASSETS | | | | |
| Cash and Pooled Investments | \$ 31,540 | \$ 34,989 | \$ 46 | \$ 76,259 |
| Receivables: | | | | |
| Property Tax | | | 1 | |
| Future Property Tax | | | 3,873 | |
| Accounts | | | | |
| Assessments | | | | |
| Notes | | | | |
| Total Assets | 31,540 | 34,989 | 3,920 | 76,259 |
| LIABILITIES | | | | |
| Accounts Payable | | 213 | | 526 |
| Due to Other Governments | 31,540 | 32,749 | 3,920 | 53,287 |
| Compensated Absences | | | | 6,530 |
| Salaries and Benefits Payable | | 2,027 | | 15,916 |
| Total Liabilities | \$ 31,540 | \$ 34,989 | \$ 3,920 | \$ 76,259 |

| Public Disposal Grounds | E-911 | Rural Community 2000 Program Loan | Tax Redemption | Recorder Electronic Fees | Total |
|-------------------------------|-----------|--|-------------------|--------------------------------|---------------|
| \$ 29,734 | \$ 41,861 | | | \$ 740 | \$ 1,339,703 |
| | | | | | 12,094 |
| | | | | | 24,181,163 |
| | 23,204 | | | | 23,521 |
| | | | | | 151,871 |
| | | \$ 7,378 | | | 7,378 |
| 29,734 | 65,065 | 7,378 | | 740 | 25,715,730 |
| | | | | | |
| | 11,691 | | | | 13,642 |
| 29,734 | 53,374 | 7,378 | | 740 | 25,667,864 |
| | | | | | 6,530 |
| | | | | | 27,694 |
| \$ 29,734 | \$ 65,065 | \$ 7,378 | | \$ 740 | \$ 25,715,730 |

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2005

| | Balance July 1, 2004 | Addi- tions | Deduc- tions | Balance June 30, 2005 |
|---|----------------------------|-------------------|-------------------|-----------------------------|
| County Recorder | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | \$ - | \$ 462,772 | \$ 462,772 | \$ - |
| Accounts Receivable | 285 | 317 | 285 | 317 |
| Total Assets | <u>285</u> | <u>463,089</u> | <u>463,057</u> | <u>317</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | - | | | - |
| Due to Other Governments | 285 | 463,089 | 463,057 | 317 |
| Total Liabilities | <u>285</u> | <u>463,089</u> | <u>463,057</u> | <u>317</u> |
| County Sheriff | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 80,005 | 555,914 | 530,929 | 104,990 |
| Total Assets | <u>80,005</u> | <u>555,914</u> | <u>530,929</u> | <u>104,990</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 1,446 | 625 | 1,446 | 625 |
| Due to Other Governments | 78,559 | 555,289 | 529,483 | 104,365 |
| Total Liabilities | <u>80,005</u> | <u>555,914</u> | <u>530,929</u> | <u>104,990</u> |
| Agricultural Extension Education | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 680 | 159,281 | 158,050 | 1,911 |
| Property Tax Receivable | 137 | 53 | 137 | 53 |
| Future Property Tax | 158,642 | 165,572 | 158,642 | 165,572 |
| Total Assets | <u>159,459</u> | <u>324,906</u> | <u>316,829</u> | <u>167,536</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | 159,459 | 324,906 | 316,829 | 167,536 |
| Total Liabilities | <u>159,459</u> | <u>324,906</u> | <u>316,829</u> | <u>167,536</u> |
| County Assessor | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 215,004 | 302,172 | 403,884 | 113,292 |
| Property Tax Receivable | 256 | 99 | 256 | 99 |
| Future Property Tax | 296,005 | 348,501 | 296,005 | 348,501 |
| Total Asset | <u>511,265</u> | <u>650,772</u> | <u>700,145</u> | <u>461,892</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 131,595 | 587 | 131,595 | 587 |
| Due to Other Governments | 368,499 | 640,434 | 557,379 | 451,554 |
| Salaries and Benefits Payable | 93 | - | 93 | - |
| Compensated Absences | 11,078 | 9,751 | 11,078 | 9,751 |
| Total Liabilities | <u>\$ 511,265</u> | <u>\$ 650,772</u> | <u>\$ 700,145</u> | <u>\$ 461,892</u> |

(Continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2005

| | Balance July 1, 2004 | Addi- tions | Deduc- tions | Balance June 30, 2005 |
|-----------------------------|----------------------------|-------------------|-------------------|-----------------------------|
| Schools | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | \$ 151,758 | \$ 14,092,030 | \$ 14,070,640 | \$ 173,148 |
| Property Tax Receivable | 11,528 | 5,022 | 11,528 | 5,022 |
| Future Property Tax | 14,038,639 | 13,387,519 | 14,038,639 | 13,387,519 |
| Total Assets | <u>14,201,925</u> | <u>27,484,571</u> | <u>28,120,807</u> | <u>13,565,689</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | <u>14,201,925</u> | <u>27,484,571</u> | <u>28,120,807</u> | <u>13,565,689</u> |
| Total Liabilities | <u>14,201,925</u> | <u>27,484,571</u> | <u>28,120,807</u> | <u>13,565,689</u> |
| Area Schools | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 3,112 | 645,552 | 641,986 | 6,678 |
| Property Tax Receivable | 479 | 186 | 479 | 186 |
| Future Property Tax | 623,034 | 616,391 | 623,034 | 616,391 |
| Total Assets | <u>626,625</u> | <u>1,262,129</u> | <u>1,265,499</u> | <u>623,255</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | <u>626,625</u> | <u>1,262,129</u> | <u>1,265,499</u> | <u>623,255</u> |
| Total Liabilities | <u>626,625</u> | <u>1,262,129</u> | <u>1,265,499</u> | <u>623,255</u> |
| Corporations | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 39,017 | 8,851,090 | 8,826,497 | 63,610 |
| Property Tax Receivable | 10,266 | 6,678 | 10,266 | 6,678 |
| Future Property Tax | 8,816,863 | 9,421,206 | 8,816,863 | 9,421,206 |
| Total Assets | <u>8,866,146</u> | <u>18,278,974</u> | <u>17,653,626</u> | <u>9,491,494</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | <u>8,866,146</u> | <u>18,278,974</u> | <u>17,653,626</u> | <u>9,491,494</u> |
| Total Liabilities | <u>8,866,146</u> | <u>18,278,974</u> | <u>17,653,626</u> | <u>9,491,494</u> |
| Townships | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 3,488 | 235,372 | 235,437 | 3,423 |
| Property Tax Receivable | 13 | 55 | 13 | 55 |
| Future Property Tax | 235,586 | 238,101 | 235,586 | 238,101 |
| Total Assets | <u>239,087</u> | <u>473,528</u> | <u>471,036</u> | <u>241,579</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | <u>239,087</u> | <u>473,528</u> | <u>471,036</u> | <u>241,579</u> |
| Total Liabilities | <u>\$ 239,087</u> | <u>\$ 473,528</u> | <u>\$ 471,036</u> | <u>\$ 241,579</u> |

(continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2005

| | Balance July 1, 2004 | Addi- tions | Deduc- tions | Balance June 30, 2005 |
|---------------------------------|----------------------------|-------------------|-------------------|-----------------------------|
| City Special Assessments | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | \$ 4,947 | \$ 207,888 | \$ 204,424 | \$ 8,411 |
| Assessments Receivable | 149,691 | 151,871 | 149,691 | 151,871 |
| Total Assets | <u>154,638</u> | <u>359,759</u> | <u>354,115</u> | <u>160,282</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | 154,638 | 359,759 | 354,115 | 160,282 |
| Total Liabilities | <u>154,638</u> | <u>359,759</u> | <u>354,115</u> | <u>160,282</u> |
| Auto License and Use Tax | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 588,858 | 7,138,183 | 7,077,970 | 649,071 |
| Total Assets | <u>588,858</u> | <u>7,138,183</u> | <u>7,077,970</u> | <u>649,071</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | 588,858 | 7,138,183 | 7,077,970 | 649,071 |
| Total Liabilities | <u>588,858</u> | <u>7,138,183</u> | <u>7,077,970</u> | <u>649,071</u> |
| Property Tax Agency | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 10,144 | 21,396 | - | 31,540 |
| Total Assets | <u>10,144</u> | <u>21,396</u> | <u>-</u> | <u>31,540</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | 10,144 | 21,396 | - | 31,540 |
| Total Liabilities | <u>10,144</u> | <u>21,396</u> | <u>-</u> | <u>31,540</u> |
| Joint Disaster Services | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 39,842 | 137,332 | 142,185 | 34,989 |
| Due from Other Governments | 1,115 | - | 1,115 | - |
| Total Assets | <u>40,957</u> | <u>137,332</u> | <u>143,300</u> | <u>34,989</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 268 | 213 | 268 | 213 |
| Due to Other Governments | 38,717 | 135,092 | 141,060 | 32,749 |
| Compensated Absences | 1,972 | 2,027 | 1,972 | 2,027 |
| Total Liabilities | <u>\$40,957</u> | <u>\$ 137,332</u> | <u>\$ 143,300</u> | <u>\$ 34,989</u> |

(continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2005

| | Balance July 1, 2004 | Addi- tions | Deduc- tions | Balance June 30, 2005 |
|---|----------------------------|-------------------|-------------------|-----------------------------|
| Brucellosis and Tuberculosis Eradication | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | \$ 60 | \$ 3,809 | \$ 3,823 | \$ 46 |
| Property Tax Receivable | 3 | 1 | 3 | 1 |
| Future Property Tax | 3,800 | 3,873 | 3,800 | 3,873 |
| Total Assets | <u>3,863</u> | <u>7,683</u> | <u>7,626</u> | <u>3,920</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | <u>3,863</u> | <u>7,683</u> | <u>7,626</u> | <u>3,920</u> |
| Total Liabilities | <u>3,863</u> | <u>7,683</u> | <u>7,626</u> | <u>3,920</u> |
| Communication Commission | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 82,635 | 280,990 | 287,366 | 76,259 |
| Due from Other Governments | 7,193 | - | 7,193 | - |
| Total Assets | <u>89,828</u> | <u>280,990</u> | <u>294,559</u> | <u>76,259</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 8,545 | 526 | 8,545 | 526 |
| Salaries and Benefits Payable | 6,413 | 6,530 | 6,413 | 6,530 |
| Due to Other Governments | 64,605 | 258,018 | 269,336 | 53,287 |
| Compensated Absences | 10,265 | 15,916 | 10,265 | 15,916 |
| Total Liabilities | <u>89,828</u> | <u>280,990</u> | <u>294,559</u> | <u>76,259</u> |
| Public Disposal Grounds | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 29,734 | - | - | 29,734 |
| Total Assets | <u>29,734</u> | <u>-</u> | <u>-</u> | <u>29,734</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | 29,734 | - | - | 29,734 |
| Total Liabilities | <u>29,734</u> | <u>-</u> | <u>-</u> | <u>29,734</u> |
| E-911 | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 33,115 | 109,573 | 100,827 | 41,861 |
| Accounts Receivable | 23,304 | 23,204 | 23,304 | 23,204 |
| Total Assets | <u>56,419</u> | <u>132,777</u> | <u>124,131</u> | <u>65,065</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 10,415 | 11,691 | 10,415 | 11,691 |
| Due to Other Governments | 46,004 | 121,086 | 113,716 | 53,374 |
| Total Liabilities | <u>\$ 56,419</u> | <u>\$ 132,777</u> | <u>\$ 124,131</u> | <u>\$ 65,065</u> |

(Continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2005

| | Balance July 1, 2004 | Addi- tions | Deduc- tions | Balance June 30, 2005 |
|--|----------------------------|---------------------|---------------------|-----------------------------|
| Rural Community 2000 Program Loan | | | | |
| <u>Assets</u> | | | | |
| Notes Receivable | \$ 14,541 | \$ - | \$ 7,163 | \$ 7,378 |
| Total Assets | <u>14,541</u> | <u>-</u> | <u>7,163</u> | <u>7,378</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | 14,541 | - | 7,163 | 7,378 |
| Total Liabilities | <u>14,541</u> | <u>-</u> | <u>7,163</u> | <u>7,378</u> |
| Tax Redemption | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | - | 97,424 | 97,424 | - |
| Total Assets | <u>-</u> | <u>97,424</u> | <u>97,424</u> | <u>-</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | - | 97,424 | 97,424 | - |
| Total Liabilities | <u>-</u> | <u>97,424</u> | <u>97,424</u> | <u>-</u> |
| Recorder Electronic Fees | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 3,430 | 6,881 | 9,571 | 740 |
| Total Assets | <u>3,430</u> | <u>6,881</u> | <u>9,571</u> | <u>740</u> |
| <u>Liabilities</u> | | | | |
| Due to Other Governments | 3,430 | 6,881 | 9,571 | 740 |
| Total Liabilities | <u>3,430</u> | <u>6,881</u> | <u>9,571</u> | <u>740</u> |
| Total All Agency Funds | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 1,285,829 | 33,307,659 | 33,253,785 | 1,339,703 |
| Receivables: | | | | |
| Property Tax | 22,682 | 12,094 | 22,682 | 12,094 |
| Future Property Tax | 24,172,569 | 24,181,163 | 24,172,569 | 24,181,163 |
| Accounts | 23,589 | 23,521 | 23,589 | 23,521 |
| Assessments | 149,691 | 151,871 | 149,691 | 151,871 |
| Notes | 14,541 | - | 7,163 | 7,378 |
| Due from Other Governments | 8,308 | - | 8,308 | - |
| Total Assets | <u>25,677,209</u> | <u>57,676,308</u> | <u>57,637,787</u> | <u>25,715,730</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 152,269 | 13,642 | 152,269 | 13,642 |
| Due to Other Governments | 25,495,119 | 57,628,442 | 57,455,697 | 25,667,864 |
| Salaries and Benefits Payable | 6,506 | 6,530 | 6,506 | 6,530 |
| Compensated Absences | 23,315 | 27,694 | 23,315 | 27,694 |
| Total Liabilities | <u>\$25,677,209</u> | <u>\$57,676,308</u> | <u>\$57,637,787</u> | <u>\$25,715,730</u> |

SIOUX COUNTY, IOWA

**Schedule of Revenues By Source and Expenditures By Function - All Governmental Funds
For the Years Ended June 30, 2005, 2004, 2003, 2002**

| | Modified Accrual Basis of Accounting | | | |
|--------------------------------------|--------------------------------------|----------------------|----------------------|----------------------|
| | 2005 | 2004 | 2003 | 2002 |
| Revenue: | | | | |
| Property and other county tax | \$ 6,143,980 | \$ 6,196,074 | \$ 5,454,921 | \$ 4,834,778 |
| Interest and penalty on property tax | 33,112 | 40,775 | 38,396 | 70,639 |
| Intergovernmental | 7,713,338 | 8,172,221 | 7,249,579 | 6,790,547 |
| Licenses and permits | 5,175 | 4,275 | 2,795 | 2,540 |
| Charges for services | 777,224 | 717,906 | 743,788 | 661,250 |
| Use of money and property | 323,391 | 242,520 | 408,525 | 437,316 |
| Miscellaneous | 210,448 | 370,249 | 117,132 | 158,368 |
| Total Revenue | <u>\$ 15,206,668</u> | <u>\$ 15,744,020</u> | <u>\$ 14,015,136</u> | <u>\$ 12,955,438</u> |
| Expenditures: | | | | |
| Current operating: | | | | |
| Public safety and legal services | \$ 3,147,273 | \$ 2,906,463 | \$ 2,282,799 | \$ 2,138,301 |
| Physical health and social services | 990,082 | 986,694 | 1,223,510 | 1,006,665 |
| Mental health | 2,170,728 | 2,174,660 | 2,289,533 | 2,290,381 |
| County environment and education | 623,028 | 609,362 | 714,627 | 988,396 |
| Roads and transportation | 3,962,119 | 3,970,872 | 3,744,588 | 3,900,787 |
| Government services to residents | 842,863 | 541,941 | 444,305 | 432,884 |
| Administration | 1,525,308 | 1,414,469 | 1,356,819 | 1,423,917 |
| Non-program services | 19,498 | 19,223 | - | 35,215 |
| Capital projects | 1,756,346 | 3,529,355 | 5,024,516 | 1,514,180 |
| Debt service | 473,816 | 473,041 | 465,286 | - |
| Total | <u>\$ 15,511,061</u> | <u>\$ 16,626,080</u> | <u>\$ 17,545,983</u> | <u>\$ 13,730,726</u> |

SIOUX COUNTY, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis)
Year Ended June 30, 2005

| | CFDA Number | Agency or Pass-Through Number | Program Disburse- ments |
|--|----------------|-------------------------------------|-------------------------------|
| Indirect: | | | |
| DEPARTMENT OF AGRICULTURE | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for | | | |
| Food Stamp Program | 10.561 | | 7,439 |
| DEPARTMENT OF JUSTICE | | | |
| Iowa Department of Human Rights: | | | |
| Juvenile Accountability Incentive Block Grants | 16.523 | | 1,567 |
| Juvenile Justice and Delinquency Prevention | 16.540 | | 6,183 |
| Title V - Delinquency Prevention Program | 16.548 | | 2,784 |
| Governor's Office of Drug Control Policy: | | | |
| Byrne Formula Grant Program | 16.579 | | 46,072 |
| Local Law Enforcement Block Grant | 16.592 | | 5,206 |
| Iowa Department of Justice; Attorney General's Crime | | | |
| Victim Assistance Division: | | | |
| Crime Victim Assistance | 16.575 | | 12,500 |
| Violence Against Women Formula Grants | 16.588 | | 6,500 |
| DEPARTMENT OF TRANSPORTATION | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | BROS-84(109)-8J-84 | 194,517 * |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Iowa Department of Public Health | | | |
| Public Health and Social Services Emergency Fund | 93.003 | 5885EM112 | 9,588 |
| Iowa Department of Human Services: | | | |
| Promoting Safe and Stable Families | 93.556 | | 13,308 |
| Child Care and Development Block Grant | 93.575 | | 90,963 |
| Human Services Administrative Reimbursements: | | | |
| Temporary Assistance for Needy Families | 93.558 | | 9,783 |
| Refugee and Entrant Assistance - State | | | |
| Administered Programs | 93.566 | | 12 |
| Child Care Mandatory and Matching Funds | | | |
| of the Child Care and Development Fund | 93.596 | | 1,895 |
| Foster Care - Title IV-E | 93.658 | | 5,189 |
| Adoption Assistance | 93.659 | | 1,207 |
| Medical Assistance Program | 93.778 | | 10,655 |
| Social Services Block Grant | 93.667 | | 6,632 * |
| Social Services Block Grant | 93.667 | | 92,015 * |
| DEPARTMENT OF HOMELAND SECURITY | | | |
| Iowa Department of Public Defense; Iowa Homeland | | | |
| Security and Emergency Management Division: | | | |
| Emergency Management Performance Grants | 97.042 | | 18,682 |
| Total Expenditures of Federal Awards | | | <u>\$ 542,697</u> |

* Total disbursements from these programs exceed 50% of the total federal awards and are considered major programs.

SIOUX COUNTY, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis) - (Continued)
Year Ended June 30, 2005

Notes to Schedule of Expenditures of Federal Awards

Note 1 - **Basis of Presentation** - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sioux County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SIOUX COUNTY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) No reportable condition in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 93.667 – Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sioux County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements and Federal Award Expenditures

INSTANCES OF NON COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

No matters were reported.

SIOUX COUNTY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Part III: Other Findings Related to Required Statutory Reporting

- III-A-05** Official Depositories – The Board has adopted a resolution naming official depositories. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- III-B-05** Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.
- III-C-05** Questionable Expenses – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-05** Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-E-05** Business Transactions – There were no business transactions between the County and County officials and/or employees during the year ended June 30, 2005.
- III-F-05** Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. Township clerks are included in the blanket bond purchased by the County. Chapter 64.12 of the Code of Iowa requires that all bonds required of the township clerk be furnished and paid for by the township.
- Recommendation – The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. The County should seek reimbursement for the amount paid for the bond premiums for township clerks.
- Response – We feel the amount each township owes is minimal and therefore, not worth the time it would take to figure and bill each township.
- Conclusion – Response accepted.
- III-G-05** Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-H-05** County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from the County operations and, consequently, is not included in these financial statements. Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.
- III-I-05** Resource Enhancement and Protection Certification – The County properly dedicated enough property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-J-05** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

SIOUX COUNTY, IOWA
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2005

There were no prior year findings or questioned costs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors
Sioux County, Iowa:

Compliance:

We have audited the compliance of SIOUX COUNTY, IOWA with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Sioux County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sioux County, Iowa's management. Our responsibility is to express an opinion on Sioux County, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sioux County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sioux County, Iowa's compliance with those requirements.

In our opinion, Sioux County, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance:

The management of Sioux County, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sioux County, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board of Supervisors, employees and citizens of Sioux County and other parties to whom Sioux County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than those specified parties.

Williams + Company, P.C.
Certified Public Accountants

Le Mars, Iowa
October 20, 2005



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P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
Sioux County, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SIOUX COUNTY, IOWA as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 20, 2005. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether Sioux County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Sioux County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board of Supervisors, employees and citizens of Sioux County and other parties to whom Sioux County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux County during the course of our audit. Should you have any questions concerning any of the above matters we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
October 20, 2005